

Part I – Agency Profile

Agency Overview

The Idaho Endowment Fund Investment Board (EFIB) is responsible for managing \$3.8 billion of investments consisting of the State of Idaho Endowment Fund, the financial reserves of the State Insurance Fund, and endowments for Idaho Parks and Recreation, Idaho Department of Environmental Quality, Idaho Department of Lands, and Idaho Department of Fish & Game.

The EFIB consists of nine individuals appointed by the Governor. The board includes one state senator, one state representative, a public education administrator, and six members of the public who are “knowledgeable and experienced in financial matters.” The EFIB has four employees including a Manager of Investments who oversees day-to-day operations. Monthly reports of the EFIB’s activities and investment performance are made to the Board of Land Commissioners and other clients. The EFIB’s expenses are not paid from General Funds.

Core Functions/Idaho Code

Land Grant Endowment Funds – Revenue from state endowment lands are transferred to the EFIB by the Idaho Dept. of Lands for investment under policies established by the Board of Land Commissioners. In turn, the EFIB, based on a Distribution Policy approved by the Board of Land Commissioners, makes monthly distributions to thirteen beneficiaries, the largest of which is the Public School Fund (Title 57, Chapter 7, *Idaho Code*). Annual distributions of income for a fourteenth beneficiary, the Capitol building, are determined by the Capitol Commission (Title 67, Chapter 16, *Idaho Code*).

State Insurance Fund – The EFIB, under policies approved by the State Insurance Fund, invests the surplus and reserve funds established to pay worker’s compensation claims insured by the State Insurance Fund. (Title 72, Chapter 9, *Idaho Code*)

Parks & Recreation Endowment Funds – The EFIB provides investment management services to support two parks in the state. Distributions are determined by Parks & Rec. (Title 57, Chapter 7, *Idaho Code*)

Department of Environmental Quality Endowments – The EFIB provides investment management services to DEQ in support of the Silver Valley environmental cleanup. Distributions are determined by the Department of Environmental Quality. (Title 57, Chapter 7, *Idaho Code*)

Department of Fish & Game Wildlife Mitigation Endowment Funds – The EFIB provides investment management services to Fish & Game to support the maintenance of land acquired to enhance wildlife habitat. Distributions are determined by the Department of Fish and Game. (Title 57, Chapter 7, *Idaho Code*)

Idaho Department of Lands Forest Legacy – In FY19, the EFIB began providing investment management services to Idaho Dept. of Lands for the Forest Legacy Program, a federal program administered in partnership with the states using Land and Water Conservation Fund money (Uniform Conservation Easement Act, Title 55, Chapter 21). Distributions are determined by the Idaho Dept. of Lands. (Title 57, Chapter 7, *Idaho Code*)

Revenue and Expenditures (Budgets)

Revenue	FY 2019	FY 2020	FY 2021	FY 2022
Misc. Revenue	\$79,100	\$81,100	\$83,200	\$83,500
Endowment Funds	643,600	664,400	671,600	705,300
Total	<u>\$722,700</u>	<u>\$745,500</u>	<u>\$754,800</u>	<u>\$788,800</u>
Expenditure	FY 2019	FY 2020	FY 2021	FY 2022
Personnel Costs	\$530,700	\$547,000	\$555,400	\$607,900
Operating Expenditures	190,000	196,500	197,400	178,900
Capital Outlay	2,000	2,000	2,000	2,000
Total	<u>\$722,700</u>	<u>\$745,500</u>	<u>\$754,800</u>	<u>\$788,800</u>

Profile of Cases Managed and/or Key Services Provided

Cases Managed and/or Key Services Provided	FY 2019	FY 2020	FY 2021	FY 2022
Key Financial Statistics				
Receipts from Dept. of Lands (net)	\$42,653,700	\$50,523,800	\$93,977,400	110,294,700
Total return from investments (net)	158,309,200	102,944,500	704,553,600	(406,373,000)
Less: Distributions to Beneficiaries	(78,456,400)	(81,243,000)	(86,970,800)	(88,201,500)
Net Earnings	<u>\$122,506,500</u>	<u>\$72,225,300</u>	<u>\$711,560,200</u>	<u>(\$384,279,800)</u>
Total Market Value of Investments				
Public School Endowment Funds	\$1,421,426,000	\$1,465,172,100	\$1,880,367,500	1,648,394,200
Other Land Grant Funds	902,631,100	931,109,800	1,227,181,000	1,075,168,600
Total Land Grant Endowment Funds	<u>\$2,324,057,100</u>	<u>\$2,396,281,900</u>	<u>\$3,107,848,500</u>	<u>2,723,562,800</u>
Other Agencies:				
ID. Dept. of Lands	\$365,200	\$450,000	\$679,300	\$612,800
ID. State Insurance Fund	832,992,600	890,466,500	963,184,900	897,738,800
ID. Dept. of Parks & Rec.	4,602,400	4,674,800	6,039,900	5,077,200
ID. Dept. of Environmental Quality	96,646,800	100,865,100	127,907,400	109,668,600
ID Dept. of Fish & Game	34,325,600	38,944,530	51,116,800	46,417,600
Total Market Value of Investments	<u>\$3,292,989,700</u>	<u>\$3,430,799,930</u>	<u>\$4,256,776,800</u>	<u>\$3,783,077,800</u>

FY 2022 Performance Highlights

- The net position of the Land Grant Endowment Fund totaled \$2.7 billion, a decrease of \$384.3 million
- The portfolio generated investment returns before fees of -13.0%
- Distributions to land-grant beneficiaries increased \$1.2 million to \$88.2 million
- Net revenue from Department of Lands decreased \$3.2 million
- \$47.1 million was transferred into the Permanent Fund from the Land Bank

Part II – Performance Measures

Performance Measure		FY 2019	FY 2020	FY 2021	FY 2022	FY 2023 ⁷	5-Year Avg. ⁶
As our clients' individual needs for managing an endowment fund require, we will: Develop a prudent long-term investment strategy, utilize the best portfolio managers, consultants and other agents to execute that strategy, diligently evaluate performance over time, develop an effective distribution policy, and help them fulfill their fiduciary responsibilities and communicate with their stakeholders							
1. Return vs. Benchmark (gross of fees)							
A. Land Grant Endowment Fund ¹	total return	7.7%	5.2%	29.7%	-13.0%	5.9%	7.0%
	benchmark	7.1%	4.9%	25.9%	-11.2%	5.3%	6.4%
	excess	0.6%	0.3%	3.8%	-1.8%	0.6%	0.6%
B. State Insurance Fund ²	total return	6.4%	6.9%	5.3%	-8.7%	2.8%	2.2%
	benchmark	6.7%	6.9%	5.2%	-8.1%	2.7%	2.3%
	excess	-0.3%	0.0%	0.1%	-0.6%	0.1%	-0.1%
2. Return vs. Peers (gross of fees)							
A. Land Grant Endowment Fund ³	total return	7.7%	5.2%	29.7%	-13.0%	5.9%	7.0%
	endowment/foundation universe median	5.8%	2.7%	28.1%	-10.6%	4.9%	5.9%
	excess	1.9%	2.5%	1.6%	-2.4%	1.0%	1.1%
B. Land Grant Endowment Fund ⁴	total return	7.7%	5.2%	29.7%	-13.0%	5.9%	7.0%
	public funds universe median	6.2%	3.3%	25.8%	-9.4%	5.3%	6.4%
	excess	1.5%	1.9%	3.9%	-3.6%	0.6%	0.6%
3. Percent Real Change in the Fund							
A. Land Grant Endowment: growth in Permanent funds to exceed the rate of inflation and population growth	annual growth in perm. fund	5.3%	5.1%	5.7%	11.6%	5.9%	7.8%
	annual rate of inflation	2.1%	1.6%	2.3%	7.2%	2.3%	3.1%
	annual population growth	1.8%	1.6%	2.4%	2.7%	3.3%	2.6%
	excess	1.4%	1.9%	1.0%	1.7%	0.3%	2.1%
4. Change in Distributions to Land Grant Beneficiaries ⁸							
A. No reduction in the total Endowment Distribution	change	\$78.2M	\$80.9M	\$84.5M	\$88.1M	\$100.3M	
	target	Increase	Increase	Increase	Increase	Increase	
B. Land Grant Endowment Earnings Reserves at least 700% of next year's approved distribution	number below target	0	0	0	8	0	

Performance Measure		2014-19	2015-20	2016-21	2017-22	2018-23E
C. Growth in Land Grant Endowment distributions exceeds inflation and population growth over a five-year period (avg. annual growth for all endowments)	growth in distributions	9.9%	9.3%	8.4%	6.9%	6.4%
	inflation	1.5%	1.7%	2.0%	3.1%	3.2%
	population growth	1.9%	2.3%	2.5%	2.6%	2.8%
	excess	6.5%	5.3%	3.9%	1.2%	0.4%

¹ Exceed benchmark: 38% Russell 3000, 19% MSCI ACWI ex-US, 9% MSCI ACWI, 26% BBC Aggregate, 8.0% NCREIF-ODCE

² Exceed benchmark: 10% S&P 500, 4% MSCI ACWI ex-USA, 50% BBC Aggregate, 12% BBC Int. Credit, 12% M/L 1-3 yr. Treasury, 8.4% BBC US MBS, 1.8% BBC CMBS IG, 1.8% ICE BofA ABS Index

³ Exceed the median of peers in Callan database

⁴ Exceed the median of peers in Callan database

⁵ Based on projection

⁶ for the trailing five-year period (FY17-FY22)

⁷ Endowment Fund Staff projections based on a ten-year outlook

⁸ Excluding Capitol endowment

For More Information Contact

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